THE COMMONWEALTH OF MASSACHUSETTS
Public Employee Retirement Administration Commission
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M E M O R A N D U M

TO: All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: Calculation of the Option (c) pop-up allowance

DATE: November 6, 1998

The purpose of this memo is to clarify the methodology for calculating benefits under the Option (c) "pop-up" provision. Upon local approval, Section 288 of Chapter 194 of the Acts of 1998 applies the "pop-up" provisions of Section 12 (2) (Option (c)) to members who applied for allowances prior to January 12, 1988. Pursuant to Section 12 (2) (Option (c)), the following is the formula to calculate the "pop-up" allowance:

"Popped-up" allowance = C_{dod} x (A_{orig}/C_{orig})

Where C_{dod} = Option (c) allowance which the member was receiving at the time of the beneficiary's death
A_{orig}= allowance, which the member would have received at the time of retirement had he chosen Option (A)
C_{orig} = actual allowance the member received at the time of retirement

However, under the new local option, the beneficiary may have died a number of years ago. Therefore the benefit must first be "popped-up" and then brought forward with COLA increases **as if the "pop-up" had actually occurred at the date of death**. The new allowance is to be paid to the member **prospectively from July 1, 1998**.

For example, assume a retirement date of October 1, 1985, and the date of the beneficiary's death is April 1, 1990. Also assume the allowance which the member would have received at the time of retirement had he chosen Option (a) was $15,000, and that the Option (c) allowance the member received at the time of retirement was $12,000. The member would have received COLA increases of $270 in 1987 and $360 in 1988. Therefore, the total allowance that the member was receiving at the time of the beneficiary's death was $12,630.

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"Pop-up" allowance = C_{dod} x (A_{orig}/C_{orig}) = $12,630 x ($15,000/$12,000)
= $12,630 x 1.25
= $15,787.50
= $1,315.63/monthly (rounded)
= $15,787.56/annually (rounded)

This is the allowance that would be payable as of the date of death of the beneficiary (April 1, 1990). To come up with the allowance that would be payable as of July 1, 1998, add the appropriate COLAs. In the example above, add the COLAs for 1992, 1994, 1996, and 1998 (if accepted), which are $450, $270, $270, and $252 respectively. This would make the "popped-up" allowance payable as of July 1, 1998 equal to $17,029.56.

The formula used to calculate the "pop-up" is the same for retirees already eligible for the "pop-up"as well as those made eligible as a result of acceptance of the local option. In both instances, the "pop-up" occurs at the time of the beneficiary's death..

Since the "pop-up" is a local option, the system from which the member retired accepts the entire cost of the "pop-up". Therefore, there is no adjustment in the amount to be reimbursed under Section 3(8)(c) as the result of a "pop-up".

If you have questions concerning this matter, please call this office.